

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 RSC-01 CIAE-00

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CEA-01 TRSE-00 COME-00 SAB-01 IO-10 L-02 H-01 DODE-00

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 7005

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO CITY

AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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DEPARTMENT REPEAT OTHER INFO ADDRESSEES AS DESIRED

E.O. 11652: GDS

TAGS: PFOR, OCON, VE, EX

SUBJECT: OVERVIEW OF MEETING OF CENTRAL AMERICAN AND PANAMANIAN
CHIEFS OF STATE

BEGIN SUMMARY: THE DEC. 13-14 MEETING IN CIUDAD GUAYANA OF CENTRAL
AMERICAN AND PANAMANIAN CHIEFS OF STATE WITH PRESIDENT PEREZ
APPEARED HIGHLY SUCCESSFUL FOR ALL CONCERNED. THE MEETING PRO-
DUCED THREE IMPORTANT ECONOMIC AGREEMENTS WHICH WERE HELPFUL TO
THE CENTRAL AMERICAN COUNTRIES AND WHICH MAY GIVE VENEZUELA A
STRONG COMMERCIAL AND POLITICAL Foothold IN CENTRAL AMERICA.
THE "DECLARATION OF GUAYANA" REFLECTED ACCEPTANCE BY CENTRAL
AMERICA OF VENEZUELA'S INTERNATIONAL OBJECTIVES AND PRESIDENT
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PEREZ' LEADERSHIP, WHILE ENDORSING AS WELL THE MAJOR POLITICAL
OBJECTIVES OF THE INDIVIDUAL CENTRAL AMERICAN PARTICIPANTS.

SOME ASPECTS OF THE MEETING--THE COFFEE RETENTION AGREEMENT THE GENERAL SUPPORT OF HIGH PRICES FOR LATIN AMERICAN EXPORTS, AND THE ACCEPTANCE OF VENEZUELAN PETROLEUM PRICES--COULD WORK TO THE DISADVANTAGE OF THE U.S. ON THE OTHER HAND, U.S. INTERESTS COULD BE SERVED BY VENEZUELA'S WILLINGNESS TO SHOULDER SUBSTANTIAL RESPONSIBILITY FOR ECONOMIC ASSISTANCE TO CENTRAL AMERICA, BY VENEZUELA'S LONG-TERM, INSTITUTIONAL APPROACH TO ALLEVIATING THE IMPACT OF ITS OIL PRICES ON ITS LESS-DEVELOPED NEIGHBORS, AND BY INCREASED OPPORTUNITIES FOR CLOSER COOPERATION BETWEEN THE U.S. AND VENEZUELA ON AID MATTERS. ONE GOV OFFICIAL HAS ALREADY INDICATED TO US PRIVATELY VENEZUELA'S INTEREST IN SUCH COOPERATION. END SUMMARY.

1. REACTION IN VENEZUELA TO THE DEC.13-14 CHIEFS OF STATE MEETING IN CIUDAD GUAYANA APPEARS UNIFORMLY FAVORABLE, AND REPORTS AVAILABLE HERE INDICATE THAT CENTRAL AMERICAN AND PANAMANIAN PARTICIPANTS WERE ALSO WELL SATISFIED WITH THE OUTCOME OF THE MEETING. PARTICIPANTS FOUND A WIDE AREA OF COMMON GROUND ON BOTH ECONOMIC AND POLITICAL ISSUES. THIS MESSAGE SUMMARIZES THE PRINCIPAL DEVELOPMENTS AT THE MEETING AND ASSESSES THE IMPLICATIONS OF THOSE DEVELOPMENTS FOR U.S. INTERESTS. THE TEXTS OF THE SPECIFIC AGREEMENTS HAVE BEEN TRANSMITTED IN SEPTELS.

ECONOMIC AGREEMENTS

2. VENEZUELA HAS SUCCESSFULLY CONCLUDE BASIC ECONOMIC ASSISTANCE AGREEMENTS WITH CENTRAL AGREEMENTS WITH CENTRAL AMERICAN COUNTRIES IN THREE VITAL AREAS--FINANCING COFFEE STOCK RETENTION, PETROLEUM IMPORTS, AND ECONOMIC DEVELOPMENT. THE CENTRAL AMERICAN STATES ARE AMONG THE LATIN AMERICAN NATIONS MOST SERIOUSLY AFFECTED BY THE SHARP INCREASE IN PRICES OF VENEZUELAN OIL EXPORTS. VENEZUELA'S OFFER OF SPECIAL BALANCE OF PAYMENTS ASSISTANCE AND SUPPORT FOR THEIR PRINCIPAL EXPORT PRODUCT MAY THEREFORE BE EXPECTED TO DIVERT ATTENTION FROM THE EFFECTS OF OIL PRICE INCREASES AND PERMIT THEM TO JOIN WITH GREATER ENTHUSIASM IN VENEZUELA'S CAMPAIGN TO CONSOLIDATE LATIN AMERICAN SUPPORT FOR "FAIRER" TREATMENT OF ALL RAW MATERIALS PRODUCING COUNTRIES WITH OIL PRODUCERS IN THE VANGUARD.

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3. THE AGREEMENTS FOR ASSISTANCE TO CENTRAL AMERICA WERE MADE THROUGH THE VENEZUELAN INVESTMENT FUND, WHOSE STATUTES REQUIRE THAT ITS CAPITAL BE APPROPRIATELY SAFEGUARDED AND THAT ITS INVESTMENTS RENDER A RESPECTABLE RATE OF INCOME. THE FUND HAS THEREBY BEEN ENLISTED TO SERVE VENEZUELAN POLITICAL AND ECONOMIC INTERESTS IN NEIGHBORING STATES. THE FUND MAY INCUR SOME RISK IN MAKING LOANS WHICH ARE IN PART POLITICALLY MOTIVATED, BUT THE GOV APPEARS TO HAVE INSISTED ON ESSENTIALLY COMMERCIAL RATHER THAN CONCESSIONAL TERMS.

POLITICAL ACCORDS

4. THE MODERATELY-WORDED "DECLARATION OF GUAYANA" REPRESENTED A MUTUAL ENDORSEMENT OF THE INTERNATIONAL POLITICAL OBJECTIVES OF THE VARIOUS PRESIDENTS AT THE MEETING. IT ACKNOWLEDGED PEREZ' LEADERSHIP--CITING HIM BY NAME IN THE DECLARATION IN THE SAME BREATH WITH SIMON BOLIVAR--AND FORMALLY ACCEPTING HIS INVITATION TO THE CARACAS SUMMIT NEXT YEAR. THE DECLARATION ENDORSED SUCH MAJOR GOV GOALS AS PROMOTING A "NEW INTERNATIONAL ECONOMIC ORDER", CREATING A PROCESS OF LATIN AMERICAN INTEGRATION, EXERCISING FULL CONTROL OVER NATURAL RESOURCES, AND IMPROVING MECHANISMS FOR DEFENDING THE FOREIGN MARKETING OF RAW MATERIALS. VENEZUELA GAINED AN IMPORTANT POLITICAL Foothold IN CENTRAL AMERICA THROUGH THE COMMITMENT IN THE DECLARATION TO "JOINT ACTION...TO CONFRONT ANY SITUATION THAT COULD EFFECT PEACEFUL COEXISTENCE AMONG THEIR COUNTRIES."

5. THE DECLARATION WAS BALANCED BY STATEMENTS OF FULL SUPPORT FOR GUATEMALA'S "JUST CLAIM" OVER THE TERRITORY OF BELIZE AND OF NORMALIZATION "AS SOON AS POSSIBLE" OF THE RELATIONS BETWEEN EL SALVADOR AND HONDURAS. THE DOCUMENT ALSO CONTAINED A SURPRISINGLY NON-INFLAMMATORY STATEMENT ON THE PANAMA CANAL ISSUE, I.E., "THEY REITERATE THEIR CONFIDENCE THAT THE INTERESTED PARTIES WILL CONCLUDE A NEW TREATY WHICH WILL REFLECT THE LEGITIMATE ASPIRATIONS OF THE PANAMANIAN NATION IN REGARD TO ITS CANAL." MEETING ALSO REFLECTED SENSITIVITY TO MEXICO'S INTERESTS, BY AGREEING TO ESTABLISH COFFEE ORGANIZATION IN MEXICO CITY AND BY ADOPTING AN INTERNATIONAL ECONOMIC APPROACH PARALLELING THAT OF PRESIDENT ECHEVERRIA.

6. THE GOV WILL PROBABLY PURSUE A SIMILAR OUTCOME IN THE PROSPECTIVE MEETING WITH HEADS OF STATE OF CARIBBEAN COUNTRIES
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(CARACAS 12432). IF THAT MEETING IS EQUALLY SUCCESSFUL, PEREZ WILL HAVE ESTABLISHED A STRONG LEADERSHIP POSITION FOR VENEZUELA IN THE CARIBBEAN AREA. THESE TWO MEETINGS, ALONG WITH PEREZ' ACTIVE PARTICIPATION IN THE RECENT AYACUCHO CEREMONIES, WILL HAVE LAID A SOLID FOUNDATION FOR A STRONG ROLE BY PEREZ IN THE PROSPECTIVE CARACAS SUMMIT IN MID-1975.

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IMPLICATIONS FOR U.S. INTERESTS

7. IN CERTAIN RESPECTS, THE CIUDAD GUAYANA MEETING CONTAINED IMPLICATIONS WHICH COULD BE UNFAVORABLE TO LONG-TERM U.S. INTERESTS. THE COFFEE FINANCING ARRANGEMENTS COULD ESTABLISH ARTIFICIALLY HIGH PRICES FOR THIS COMMODITY AND ENCOURAGE THE FORMATION OF FURTHER COMMODITY ASSOCIATIONS. THE MEETING MIGHT LEAD CENTRAL AMERICAN COUNTRIES AND PANAMA TO FOLLOW VENEZUELA'S EXAMPLE AND ATTEMPT TO PUSH UPWARDS THE PRICE OF THEIR EXPORTS TO THE MAXIMUM POSSIBLE EXTENT. ALTHOUGH THESE COUNTRIES, WHICH ARE HARD HIT BY THE HIGH PRICE OF VENEZUELAN PETROLEUM, WOULD NORMALLY BE EXPECTED TO BE SEVERE CRITICS OF VENEZUELA'S PRICING POLICIES, THEY HAVE INSTEAD MADE COMMON CAUSE WITH VENEZUELA TO OVERCOME THE WORLD'S "GRAVE ECONOMIC IMBALANCE." IN ADDITION TO EASING THE PRESSURE ON VENEZUELA TO REDUCE THE PRICES ON THE CENTRAL AMERICAN ISTHMUS, THE MEETING WILL ACTUALLY GIVE
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VENEZUELA A GUARANTEED PETROLEUM MARKET IN THAT AREA.

8. ON THE OTHER HAND, THE VENEZUELAN INITIATIVE WITH THE CENTRAL AMERICAN STATES APPEARS TO SERVE OTHER IMPORTANT U.S. INTERESTS. THE GOV'S WILLINGNESS TO USE SOME OF ITS OIL REVENUES FOR ECONOMIC ASSISTANCE SHOULD HELP ALLEVIATE THE BURDENS LONG

BORN BY THE U.S. ALONG IN THAT AREA AND SHOULD ASSIST THE ECONOMIES OF RECIPIENT STATES. VENEZUELA'S EXAMPLE OF RECYCLING PETRODOLLARS AND PROVIDING A LONG-TERM INSTITUTIONAL APPROACH TO EASING THE IMPACT ON ITS LESS-DEVELOPED NEIGHBORS OF HIGH OIL PRICES COULD SET AN EXAMPLE TO OTHER OPEC COUNTRIES.

9. IN ADDITION, VENEZUELA'S ACTIVE, LARGE-SCALE ENTRY INTO THE ECONOMIC ASSISTANCE FIELD SHOULD PROVIDE OPPORTUNITIES FOR CLOSE COOPERATION BETWEEN THE U.S. AND VENEZUELA. WE COULD INCREASE OUR EXCHANGE OF INFORMATION WITH THE GOV ON AID MATTERS, SEEK MEANS TO IMPROVE COORDINATION OF AID FLOWS, AND EVEN CONSIDER JOINT PROJECTS.

10. THE EMBASSY HAS REASON TO BELIEVE THAT THE GOV MIGHT BE RECEPTIVE TO SUCH COLLABORATION, IF IT WERE DONE DISCREETLY AND SELECTIVELY. FOR EXAMPLE, CESAR MANDUCA, DEPUTY DIRECTOR OF THE VENEZUELAN INVESTMENT FUND, INFORMED THE CHARGE ON DECEMBER 19 THAT VENEZUELA WOULD LIKE TO DISCUSS WITH THE EMBASSY PLANS FOR THE \$600 MILLION (SIC) TRUST FUND WHICH VENEZUELA IS MAKING AVAILABLE TO THE INTERAMERICAN DEVELOPMENT BANK. THE DECEMBER 20 VISIT HERE BY EXIMBANK DIRECTOR MCCULLOUGH WILL PROVIDE A FURTHER OPPORTUNITY FOR A CLOSE EXCHANGE OF VIEWS ON DEVELOPMENT ASSISTANCE MATTERS.

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